

***TOWN OF HOPKINTON, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS***

***For the Fiscal Year Ended
June 30, 2016***

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ANNUAL FINANCIAL STATEMENTS
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Independent Auditor's Report

To the Honorable President and
Members of the Town Council
Town of Hopkinton, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, Rhode Island, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, Rhode Island, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary pension information on pages 4 through 12 and pages 51 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements. The combining nonmajor fund financial statements and tax collector's annual report and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and tax collector's annual report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and tax collector's annual report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017 on our consideration of the Town of Hopkinton, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hopkinton, Rhode Island's internal control over financial reporting and compliance.

Bacon & Company, LLC

Warwick, Rhode Island
January 3, 2017

TOWN OF HOPKINTON MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of Hopkinton provides this Management Discussion and Analysis of the Town of Hopkinton's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of Hopkinton is for fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Town's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- At the end of the current fiscal year, total fund balance for the General Fund was \$4,998,480 or 20.56% of total 2016 budgeted revenues. This is a decrease of \$85,068 from the prior year total fund balance.
- The total unassigned fund balance of the General Fund is \$4,390,968 or 18.06% of total 2016 budgeted revenues. This is a decrease of \$13,530 from the prior year unassigned fund balance.
- The total assigned, committed, restricted or nonspendable fund balance of the General Fund is \$607,512. This is a decrease of \$71,538 from the prior year total assigned, committed, restricted or nonspendable fund balance.
- The Town General Fund ended fiscal year 2016 with a budgetary operating surplus of \$0.
- The total bonded debt amount of the Town of Hopkinton increased by \$1,291,822.
- As reported in the government-wide financial statements, the assets and deferred outflows of resources of the Town of Hopkinton exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,956,871. The Town's capital asset base has been developed from both current operations and debt. The Town has recorded its property and equipment at original values in order to insure proper asset management.
- The Town's total net position decreased by \$51,855 for the fiscal year ended June 30, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that includes combining statements for non-major governmental funds.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall status.

- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town’s operations in more detail than the government-wide statements.
 - ✓ The *governmental funds* statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - ✓ *Proprietary fund* statements offer short and long term financial information about the activities the government operates like businesses, such as the water system.
 - ✓ *Fiduciary fund* statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and how they relate to one another. In addition to these required elements, the Town has included a section with combining statements that provide details about the Town’s non-major governmental funds, which are added together and presented in a single column in the basic financial statements.

Figure A-1
Required Components of
Town of Hopkinton’s Basic Financial Report

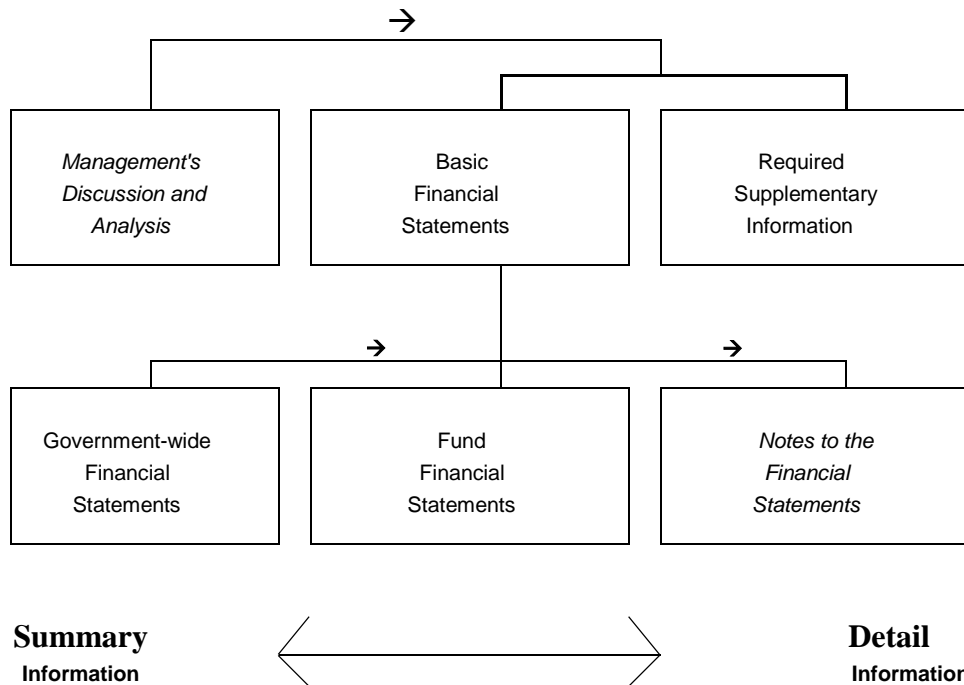


Figure A- 2

Major Features of the Town of Hopkinton’s Government-Wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as Police and DPW.	Activities the Town operates similar to private businesses such as the water system.	Instances in which the Town is the trustee or agent for someone else’s resources.
Required financial Statements	Statement of Net Position; Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position
Accounting Basis & Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability Information	All assets and liabilities both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Town’s funds do not currently contain capital assets, although they can
Type of inflow/ Outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements – The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town’s *net position* and how they have changed. Net position – the difference between the Town’s assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the Town’s financial health, or position.

- Over time, increases or decreases in the Town’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional non-financial factors such as changes in the Town’s property tax base and the condition of the Town’s roads.

The government-wide financial statements of the Town are divided into three categories.

- *Governmental activities* – Most of the Town’s basic services are included here, such as the public safety, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.
- *Business-Type activities* – The Town operates a Water Fund which accounts for the purchase of water from the Town of Richmond, which it sells to Town users.
- *Component units* – The Land Trust is deemed to be a component unit.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting the Town’s operations in more detail than the government-wide statements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental Funds – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the government fund statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government’s near-term financing requirement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities.

The basic governmental fund financial statements are presented on pages 15 through 18 of this report.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town has one enterprise fund. A brief description follows:

Hopkinton Water Supply – the Town has a municipally owned water system. It buys water from the Richmond Water Supply Board and bills the recipient waterline residents.

The basic proprietary fund financial statements are presented on pages 19 through 22.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town had no fiduciary funds as of June 30, 2016.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

The notes of the financial statements are presented on pages 23 through 50.

Other Information – **In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*.** This section includes a budgetary comparison schedule, which includes a reconciliation between the changes in the statutory fund balance for budgetary purposes and the changes in fund balances for the General Fund as presented in the governmental fund financial statements. **Required supplementary information follow the notes to the financial statements.**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the Town of Hopkinton's Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hopkinton, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,956,871 as of June 30, 2016.

In regard to the Town's net position (47.63%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

TOWN OF HOPKINTON'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current Assets	\$ 7,841,602	\$ 6,895,599	\$ 85,504	\$ 84,642	\$ 7,927,106	\$ 6,980,241
Capital Assets	4,636,712	5,853,326	296,476	286,074	4,933,188	6,139,400
Other Noncurrent Assets	<u>950,616</u>	<u>1,964,839</u>	<u>-</u>	<u>-</u>	<u>950,616</u>	<u>1,964,839</u>
Total Assets	13,428,930	14,713,764	381,980	370,716	13,810,910	15,084,480
Deferred Outflows of Resources	<u>325,860</u>	<u>510,344</u>	<u>-</u>	<u>-</u>	<u>325,860</u>	<u>510,344</u>
Current Liabilities	635,124	694,771	8,412	4,405	643,536	699,176
Long-term Liabilities	<u>3,852,381</u>	<u>5,672,256</u>	<u>-</u>	<u>-</u>	<u>3,852,381</u>	<u>5,672,256</u>
Total Liabilities	4,487,505	6,367,027	8,412	4,405	4,495,917	6,371,432
Deferred Inflows of Resources	<u>632,127</u>	<u>266,521</u>	<u>-</u>	<u>-</u>	<u>632,127</u>	<u>266,521</u>
Net Position:						
Net investment in capital assets	3,997,312	3,979,673	296,476	286,074	4,293,788	4,265,747
Restricted	268,977	398,117	-	-	268,977	398,117
Unrestricted	<u>4,368,869</u>	<u>4,212,770</u>	<u>77,092</u>	<u>80,237</u>	<u>4,445,961</u>	<u>4,293,007</u>
Total net position	<u>\$ 8,635,158</u>	<u>\$ 8,590,560</u>	<u>\$ 373,568</u>	<u>\$ 366,311</u>	<u>\$ 9,008,726</u>	<u>\$ 8,956,871</u>

Of the Town's net position, \$398,117 (4.44%) represents resources that are subject to external restriction on how they may be used. Of this amount, \$53,939 is set aside for various capital projects.

Change in Net Position

The total net position of the Town of Hopkinton decreased by \$51,855 during fiscal year 2015-2016.

Analysis of the Town of Hopkinton's Operations

The following analysis provides a summary of the Town's operations for the year ended June 30, 2016.

Governmental activities decreased the Town's net position by \$44,598, while business type activities decreased the Town's net position by \$7,257.

TOWN OF HOPKINTON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues						
Program						
Charges for services	\$ 706,318	\$ 854,874	\$ 18,349	\$ 16,192	\$ 724,667	\$ 871,066
Operating/Capital grants and contribution	5,849,685	6,144,832			5,849,685	6,144,832
General revenues						
Property taxes	17,719,124	17,577,296			17,719,124	17,577,296
State Aid	257,246	264,880			257,246	264,880
Investment earnings	8,827	11,208	99	162	8,926	11,370
Miscellaneous	13,142	5,608			13,142	5,608
Total Revenues	24,554,342	24,858,698	18,448	16,354	24,572,790	24,875,052
Program Expenses						
General government	1,752,196	1,888,034			1,752,196	1,888,034
Recreation	286,656	299,321			286,656	299,321
Public safety	2,322,533	2,857,872			2,322,533	2,857,872
Public works	1,395,568	1,582,773			1,395,568	1,582,773
Social services	273,392	409,031			273,392	409,031
Education	18,271,091	17,761,469			18,271,091	17,761,469
Interest on long-term debt	71,647	104,796			71,647	104,796
Water Fund			26,253	23,611	26,253	23,611
Total Expenses	24,373,083	24,903,296	26,253	23,611	24,399,336	24,926,907
Change in net position	181,259	(44,598)	(7,805)	(7,257)	173,454	(51,855)
Net position beginning of year	8,453,899	8,635,158	381,373	373,568	8,835,272	9,008,726
Net position end of year	\$ 8,635,158	\$ 8,590,560	\$ 373,568	\$ 366,311	\$ 9,008,726	\$ 8,956,871

Financial Analysis of the Town of Hopkinton's Funds

Governmental Funds – The focus of the Town of Hopkinton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, 2016, the Town's governmental funds reported combined ending fund balances of \$7,142,132. The General Fund reported an unassigned fund balance of \$4,390,968 representing approximately 61.48% of total fund balance.

Restricted/Committed/Assigned

General fund balance:

Nonspendable	\$15,479
Restricted	\$2,074
Committed	168,421
Assigned	421,538
Total Nonspendable/Restricted/	421,538
Committed/Assigned	168,421
Fund Balance	\$607,512

Proprietary Funds – The Town of Hopkinton's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail.

Unrestricted net position of the Hopkinton Water Supply Fund is \$80,237.

The Town of Hopkinton's General Fund Budgetary Items

The Town General Fund had no surplus or deficit in FY16. The actual revenues exceeded budgeted revenues by \$531,980, which decreased the amount used from Fund Balance by \$421,773. The largest surplus was in the Charges for Services of \$295,951 more than anticipated.

The Town of Hopkinton's Capital Assets

The Town of Hopkinton's investment in capital assets for its governmental and business-type activities amounts to \$6,139,400 net of accumulated depreciation at June 30, 2016. Included are land, buildings and improvements, motor vehicles, furniture and equipment, infrastructure, and construction in progress.

**TOWN OF HOPKINTON'S CAPITAL ASSETS AT YEAR END
NET OF ACCUMULATED DEPRECIATION**

	Governmental		Business-type		Total	
	2015	2016	2015	2016	2015	2016
Land & Construct. in Progress	\$ 367,273	\$ 450,011	\$ -	\$ -	\$ 367,273	\$ 450,011
Infrastructure	1,475,139	2,641,223	296,476	286,074	1,771,615	2,927,297
Buildings and improvements	1,954,703	1,884,599	-	-	1,954,703	1,884,599
Furniture and equipment	228,111	291,343	-	-	228,111	291,343
Motor vehicles	611,486	586,150	-	-	611,486	586,150
Total	\$ 4,636,712	\$ 5,853,326	\$ 296,476	\$ 286,074	\$ 4,933,188	\$ 6,139,400

The Town of Hopkinton Debt Administration

At the end of the current fiscal year, the Town of Hopkinton General Government had a total bonded debt of \$2,862,000.

**TOWN OF HOPKINTON'S OUTSTANDING DEBT AT YEAR END
BONDS, NOTES AND CAPITALIZED LEASES PAYABLE**

	Gov Activities	Total
Gen Obligation Bonds	\$ 2,862,000	\$ 2,862,000
Capital Leases Payable	52,578	52,578
Amortized Premium on Bond	11,711	11,711
Totals	\$ 2,926,289	\$ 2,926,289

The State of Rhode Island imposes a limit of 3 percent of the fair market value of all taxable town property on the general obligation debt that a municipality can issue. The Town of Hopkinton's limit is \$25,762,234 at year-end. The Town's outstanding general obligation debt subject to the limit is \$2,862,000 at year-end, which is \$22,900,234 under the State imposed limitation.

Subsequent Fiscal Year 2016-2017 Budget and Tax Rates

The Town of Hopkinton's total general fund budget for fiscal year 16/17 is \$24,379,381 which reflects an increase of \$70,085 from the fiscal 15/16 budget. In the Town's 16/17 budget, \$18,155,239 or 74.47% is allocated for educational purposes and \$6,224,142 or 25.53% is budgeted for other purposes.

Of the \$18,155,239 budgeted for educational purposes, the State of Rhode Island has budgeted for fiscal year 16/17 to contribute \$5,383,618 to the Town's education expense and the Town is budgeted to contribute \$12,771,621.

The Town's tax rate for fiscal year 16/17 is \$20.64 per thousand for real estate and tangible personal property and \$21.18 per hundred for motor vehicles. The tax rate for fiscal year 15/16 was \$20.38 per thousand for real estate and tangible personal property and \$21.18 for motor vehicles.

Request for Information

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the tax dollars received. If you have any questions about this report or need additional financial information, please contact the Finance Director, Hopkinton Thayer House, 482 Main Street, P O Box 139, Hopkinton, RI 02833.

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Net Position
June 30, 2016

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Land Trust</i>
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,785,171	\$ 70,041	\$ 5,855,212	\$ 185,230
Receivables:				
Property taxes, net of allowance for uncollectible accounts	695,725	-	695,725	-
Accounts receivable, user fees -net	-	14,601	14,601	-
Due from federal and state government	200,667	-	200,667	-
Due from primary government	-	-	-	13,477
Other	198,557	-	198,557	-
Prepaid expenses	15,479	-	15,479	-
Total current assets	6,895,599	84,642	6,980,241	198,707
Noncurrent assets:				
Capital assets: (Note 5)				
Land and land rights	349,470	-	349,470	3,422,902
Construction in progress	100,541	-	100,541	-
Depreciable buildings, equipment and infrastructure, net	5,403,315	286,074	5,689,389	306,252
Due from component unit	1,000,000	-	1,000,000	-
Net pension asset	964,839	-	964,839	-
Total noncurrent assets	7,818,165	286,074	8,104,239	3,729,154
Total assets	14,713,764	370,716	15,084,480	3,927,861
Deferred outflows of resources				
Deferred pension amounts	510,344	-	510,344	-
Total deferred outflows of resources	510,344	-	510,344	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	190,408	4,405	194,813	15,329
Accrued interest payable	20,401	-	20,401	-
Due to component unit	13,477	-	13,477	-
Compensated absences payable	122,015	-	122,015	-
Legal settlement payable	14,392	-	14,392	-
Long-term debt -due within one year (Note 7)	324,578	-	324,578	-
Other liabilities	9,500	-	9,500	-
Total current liabilities	694,771	4,405	699,176	15,329
Noncurrent liabilities				
Compensated absences payable	11,334	-	11,334	-
Due to primary government	-	-	-	1,000,000
Long-term debt - due in more than one year (Note 7)	2,601,711	-	2,601,711	-
Net pension liability	3,059,211	-	3,059,211	-
Total noncurrent liabilities	5,672,256	-	5,672,256	1,000,000
Total liabilities	6,367,027	4,405	6,371,432	1,015,329
Deferred inflows of resources				
Deferred property taxes and other deferred revenues	1,630	-	1,630	-
Deferred pension amounts	264,891	-	264,891	-
Total deferred inflows of resources	266,521	-	266,521	-
Net position				
Net investment in capital assets	3,979,673	286,074	4,265,747	3,729,154
Restricted for:				
Community development	136,817	-	136,817	-
Historical records preservation	40,493	-	40,493	-
Public safety programs	152,654	-	152,654	-
Capital projects	53,939	-	53,939	-
Permanent fund:				
Expendable	6,846	-	6,846	-
Nonexpendable	7,368	-	7,368	-
Unrestricted	4,212,770	80,237	4,293,007	(816,622)
Total net position	\$ 8,590,560	\$ 366,311	\$ 8,956,871	\$ 2,912,532

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Activities
For the Fiscal Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Land Trust</u>	
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Primary Government:								
Governmental Activities:								
General government	\$ 1,888,034	\$ 440,642	\$ 8,137	\$ -	\$ (1,439,255)	\$ -	\$ (1,439,255)	\$ -
Public safety	2,857,872	277,199	32,346	170,640	(2,377,687)	-	(2,377,687)	-
Public works	1,582,773	30,574	32,277	-	(1,519,922)	-	(1,519,922)	-
Recreation	299,321	106,069	-	29,961	(163,291)	-	(163,291)	-
Public and social services	409,031	390	288,188	112,548	(7,905)	-	(7,905)	-
Education	17,761,469	-	5,470,735	-	(12,290,734)	-	(12,290,734)	-
Debt service, interest	104,796	-	-	-	(104,796)	-	(104,796)	-
Total governmental activities	24,903,296	854,874	5,831,683	313,149	(17,903,590)	-	(17,903,590)	-
Business-Type Activities:								
Water supply	23,611	16,192	-	-	-	(7,419)	(7,419)	-
Total business-type activities	23,611	16,192	-	-	-	(7,419)	(7,419)	-
Total primary government	\$ 24,926,907	\$ 871,066	\$ 5,831,683	\$ 313,149	(17,903,590)	(7,419)	(17,911,009)	-
Component Unit:								
Land trust	\$ 66,720	\$ 800	\$ 32,697	\$ -	-	-	-	(33,223)
General Revenues:								
Property taxes					17,577,296	-	17,577,296	-
State aid and grants not restricted for a specific purpose					264,880	-	264,880	-
Investment earnings					11,208	162	11,370	256
Miscellaneous					5,608	-	5,608	-
Total general revenues					17,858,992	162	17,859,154	256
Change in net position					(44,598)	(7,257)	(51,855)	(32,967)
Net position - beginning of year					8,635,158	373,568	9,008,726	2,945,499
Net position - end of year					\$ 8,590,560	\$ 366,311	\$ 8,956,871	\$ 2,912,532

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2016*

	<i>General Fund</i>	<i>Capital Project Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets				
Cash	\$ 4,752,625	\$ 189,053	\$ 843,493	\$ 5,785,171
Receivables:				
Property taxes, net of allowance for doubtful accounts of \$284,920	695,725	-	-	695,725
Due from federal and state government	119,938	-	80,729	200,667
Other	73,922	-	124,635	198,557
Due from other funds	1,193,776	250,000	769,168	2,212,944
Advance to component unit	-	1,000,000	-	1,000,000
Prepaid expenditures	15,479	-	-	15,479
Total assets	<u>\$ 6,851,465</u>	<u>\$ 1,439,053</u>	<u>\$ 1,818,025</u>	<u>\$ 10,108,543</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and accrued expenditures	\$ 190,408	\$ -	\$ -	\$ 190,408
Due to other funds	1,225,009	74,852	913,083	2,212,944
Due to component unit	13,477	-	-	13,477
Other liabilities	-	-	9,500	9,500
Total liabilities	<u>1,428,894</u>	<u>74,852</u>	<u>922,583</u>	<u>2,426,329</u>
Deferred Inflows of Resources				
Deferred property taxes	422,461	-	-	422,461
Other deferred revenues	1,630	-	115,991	117,621
Total deferred inflows of resources	<u>424,091</u>	<u>-</u>	<u>115,991</u>	<u>540,082</u>
Fund balances				
Nonspendable:				
Prepaid expenditures	15,479	-	-	15,479
Advance to component unit	-	1,000,000	-	1,000,000
Permanent fund principal	-	-	7,368	7,368
Restricted for:				
Community development	-	-	20,826	20,826
Historical records preservation	-	-	40,493	40,493
Public safety programs	2,074	-	150,580	152,654
Capital projects	-	-	294,864	294,864
Cemetery perpetual care	-	-	6,846	6,846
Committed for:				
Employee relations costs	70,605	-	-	70,605
Property revaluation	19,406	-	-	19,406
Public works	44,805	-	-	44,805
Planning and zoning	14,662	-	-	14,662
Conservation	1,061	-	-	1,061
Educational capital facilities expansion	-	-	101,782	101,782
Capital projects	17,882	364,201	156,692	538,775
Assigned for 2017 budget	421,538	-	-	421,538
Unassigned	4,390,968	-	-	4,390,968
Total fund balances	<u>4,998,480</u>	<u>1,364,201</u>	<u>779,451</u>	<u>7,142,132</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,851,465</u>	<u>\$ 1,439,053</u>	<u>\$ 1,818,025</u>	<u>\$ 10,108,543</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds	\$ 7,142,132
 Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in Governmental Activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. See Note 5 to the financial statements.	5,853,326
Property taxes are recognized as revenue in the period for which levied in the Government-Wide Financial Statements, but are reported as deferred inflows of resources in Governmental Fund Financial Statements.	422,461
Other accounts receivable and revenues are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the Governmental Funds Financial Statements.	115,991
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(20,401)
Long-term liabilities (including bonds and loans, leases, compensated absences, legal settlements, and net pension liability) are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet. See Note 7 to the financial statements.	(6,133,241)
Net pension assets are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.	964,839
Deferred outflows and inflows related to pensions are not current financial resources or require the use of current financial resources and, therefore are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows related to pensions	510,344
Deferred inflows related to pensions	<u>(264,891)</u>
Net Position - Governmental Activities	<u><u>\$ 8,590,560</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 17,539,365	\$ -	\$ -	\$ 17,539,365
Federal and state grants and aid	5,826,408	-	555,007	6,381,415
Charges for services and fees	898,024	-	40,975	938,999
Private grants and contributions	2,735	-	25,559	28,294
Interest on investments	7,723	1,347	2,138	11,208
Other revenues	2,659	-	13,174	15,833
Total revenues	<u>24,276,914</u>	<u>1,347</u>	<u>636,853</u>	<u>24,915,114</u>
Expenditures:				
Current:				
General government	1,868,149	-	7,531	1,875,680
Public safety	2,451,446	-	75,242	2,526,688
Public works	1,125,306	-	-	1,125,306
Recreation	265,687	-	2,901	268,588
Public and social services	140,001	-	379,015	519,016
Education - payment to school district	17,761,469	-	-	17,761,469
Capital outlay	-	74,852	1,635,942	1,710,794
Debt service:				
Principal	668,178	-	104,316	772,494
Interest and other charges	79,887	-	22,013	101,900
Total expenditures	<u>24,360,123</u>	<u>74,852</u>	<u>2,226,960</u>	<u>26,661,935</u>
Deficiency of revenues under expenditures before other financing sources (uses)	<u>(83,209)</u>	<u>(73,505)</u>	<u>(1,590,107)</u>	<u>(1,746,821)</u>
Other financing sources (uses):				
Capital-related debt issued	-	-	1,504,850	1,504,850
Current refunding bond proceeds	455,150	-	-	455,150
Transfers from other funds	100,000	250,000	307,009	657,009
Transfers to other funds	(557,009)	-	(100,000)	(657,009)
Total other financing sources (uses)	<u>(1,859)</u>	<u>250,000</u>	<u>1,711,859</u>	<u>1,960,000</u>
Net change in fund balances	(85,068)	176,495	121,752	213,179
Fund balances - beginning of year	<u>5,083,548</u>	<u>1,187,706</u>	<u>657,699</u>	<u>6,928,953</u>
Fund balances - end of year	<u>\$ 4,998,480</u>	<u>\$ 1,364,201</u>	<u>\$ 779,451</u>	<u>\$ 7,142,132</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in the Fund Balances to Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Net Changes in Fund Balances - Total Governmental Funds	\$ 213,179
 <i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>	
Governmental Fund Financial Statements report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
This is the amount of capital assets recorded in the current period.	1,619,524
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the Governmental Fund Financial Statements.	
	(395,112)
Loss on disposal of capital assets are reported as expenses in the Government-Wide Statement of Net Position, but are not reported as expenditures in the Governmental Fund Financial Statements.	
	(7,798)
Long-term compensated absences and legal settlements are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, compensated absences and legal settlements are not reported as expenditures in Governmental Fund Financial Statements.	
The following amount represents the change in long-term compensated absences from the prior year.	24,425
Repayment of bond and lease principal is an expenditure in the Governmental Fund Financial Statements, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position.	
	772,494
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Fund Financial Statements. The following amount represents the change in accrued interest expense from the prior year.	
	(3,677)
Proceeds from the issuance of debt are an other financing source in the Governmental Fund Financial Statements, but the issuance of debt increases long-term liabilities in the Government-Wide Statement of Net Position.	
This amount represents debt issued during the current period.	(1,960,000)
Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide Financial Statements.	
This amount represents the amortization of bond premium during the current period.	781
Long-term net pension liabilities and assets are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources or are not available to pay for current period expenditures. Therefore, long-term net pension liabilities and assets are not reported as expenditures in Governmental Funds financial statements.	
This is the amount of the change in long-term net pension liabilities and assets and related deferred pension amounts in the current period.	(237,607)
Revenues reported in prior periods in the Statement of Activities that are not reported in Governmental Funds until the revenues are measurable and available.	
	<u>(70,807)</u>
 Change in Net Position - Governmental Activities	 <u><u>\$ (44,598)</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Net Position
Proprietary Funds
June 30, 2016

	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
Assets	
<i>Current assets</i>	
Cash and cash equivalents	\$ 70,041
Accounts receivable, user fees - net	14,601
<i>Total current assets</i>	84,642
<i>Noncurrent assets</i>	
Depreciable capital assets - net	286,074
<i>Total noncurrent assets</i>	286,074
<i>Total assets</i>	370,716
 Liabilities	
<i>Current liabilities</i>	
Accounts payable and accrued expenses	4,405
<i>Total current liabilities</i>	4,405
<i>Total liabilities</i>	4,405
 Net position	
Net investment in capital assets	286,074
Unrestricted	80,237
<i>Total net position</i>	\$ 366,311

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Operating revenues</i>	
User fees	\$ 16,192
<i>Total operating revenues</i>	<u>16,192</u>
<i>Operating expenses</i>	
Water purchases	13,209
Depreciation	<u>10,402</u>
<i>Total operating expenses</i>	<u>23,611</u>
<i>Operating loss</i>	<u>(7,419)</u>
 <i>Nonoperating revenues</i>	
Interest income	<u>162</u>
<i>Total nonoperating revenues</i>	<u>162</u>
<i>Change in net position</i>	(7,257)
<i>Total net position - beginning of year</i>	<u>373,568</u>
<i>Total net position - end of year</i>	<u><u>\$ 366,311</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<u><i>Enterprise Fund</i></u> <u><i>Water Supply</i></u>
<i>Cash flows from operating activities</i>	
Cash received from customers for user fees	\$ 16,685
Cash paid to suppliers	<u>(17,216)</u>
<i>Net cash used for operating activities</i>	<u>(531)</u>
 <i>Cash flows from investing activities</i>	
Interest received	<u>162</u>
<i>Net cash provided by investing activities</i>	<u>162</u>
 <i>Net decrease in cash and cash equivalents</i>	
	(369)
 <i>Cash and cash equivalents - beginning of year</i>	
	<u>70,410</u>
 <i>Cash and cash equivalents - end of year</i>	
	<u><u>\$ 70,041</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Enterprise Fund</u> <u>Water Supply</u>
<i>Reconciliation of operating loss to net cash used for operating activities:</i>	
Operating loss	\$ (7,419)
<i>Adjustments to reconcile operating loss to net cash used for operating activities:</i>	
Depreciation	10,402
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, user fees	493
Increase (decrease) in accounts payable and accrued expenses	<u>(4,007)</u>
 <i>Net cash used for operating activities</i>	 <u><u>\$ (531)</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

The financial statements of the Town of Hopkinton, Rhode Island, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Hopkinton was incorporated in 1757 and operates under a Home Rule Charter adopted in November 2002. The Charter provides for a Town Council-Town Manager form of government. All legislative powers of the Town, except such powers as reserved by State Law or vested in the Financial Town Meeting by the Charter and by-laws enacted by the Town Council, are vested in the Town Council, including the ordering of any tax, making of appropriations, and transacting any other business pertaining to the financial affairs of the Town.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units” and GASB Statement No. 61 “Financial Reporting Entity-Omnibus”. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization’s relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading. Through the application of GASB Statements Nos. 14, 39, and 61 criteria, the Hopkinton Land Trust (the Trust) has been discretely presented as a component unit of the Town in the Government-Wide Financial Statements.

The Trust was established in fiscal year 2000 by the Hopkinton Town Council pursuant to special State legislation enacted by the General Assembly in the same year. The Trust was established as a body politic and corporate and a public instrumentality. It has the authority to acquire, hold and manage real property and interests therein, including development rights situated in the Town of Hopkinton, with the exception of property acquired for public historical preservation purposes. The Trust may hold property or development rights solely as open space or for agricultural uses, water purposes, public access or prevention of accelerated residential or commercial development. Trustees are appointed by the Town Council and the Trust can impose a financial burden upon the Town in the form of financial support and financing of operating deficits. The Trust holds economic resources (land and land rights) entirely for the direct benefit of the Town. The Trust does not issue separate financial statements.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

The Town's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the Town are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the Town's governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column.

Fund Financial Statements

The Fund Financial Statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the Fund Financial Statements.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the Town are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

Major Governmental Funds:

General Fund – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

Capital Project Fund – The Capital Project Fund is used to account for funds committed for capital projects at the Financial Town Meeting.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

For the year ended June 30, 2016, the Town had one proprietary fund, the Water Supply Fund, which is a major fund:

Water Supply Fund - The Water Supply Fund accounts for the purchase of water from the Town of Richmond, which it sells to Town users.

Fiduciary Funds

Fiduciary Funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. For the year ended June 30, 2016, the Town had no fiduciary funds.

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 72 – Fair Value Measurement and Application, effective for the Town's fiscal year ending June 30, 2016.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for the Town's fiscal years ending June 30, 2016.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Town's fiscal year ending June 30, 2016.

The adoption of GASB Statements Nos. 72, 73, and 76 did not have an impact on the Town's financial position or results of operations.

The Town will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the Town's fiscal year ending June 30, 2017.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2018.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the Town's fiscal year ending June 30, 2017.
- GASB Statement No. 78 – Pensions Provided Through Certain Multiple – Employer Defined Benefit Pension Plans, effective for the Town's fiscal year ending June 30, 2017.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants, effective for the Town's fiscal year ending June 30, 2017.

TOWN OF HOPKINTON, RHODE ISLAND
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June 30, 2016

- GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 81 – Irrevocable Split-Interest Agreements, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 82 – Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the Town’s fiscal year ending June 30, 2019.

The impact of these pronouncements on the Town's financial statements has not been determined.

D. CASH EQUIVALENTS

The Town considers cash and cash equivalents in the Proprietary Funds to include cash on hand, time and demand deposits, and short-term investments maturing within three months from the date of acquisition.

E. INVESTMENTS

The Town reports investments at fair value.

F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

Property taxes which were levied on June 15, 2015 for the current year and other delinquent balances are recorded as receivables.

G. UNBILLED SERVICES RECEIVABLE

Water revenue is recorded when earned. Customers are billed twice a year. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

H. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Position.

In the Fund Financial Statements, capital assets used in governmental fund activities are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the Government-Wide Financial Statements.

All capital assets are recorded at cost (or estimated historical cost). Donated capital assets are recorded at acquisition value as of the date received. The Town follows the policy of not capitalizing assets with a cost of less than \$10,000 and a useful life of less than 1 year. The Town retroactively adjusted for infrastructure assets in fiscal year 2007.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10-50
Motor vehicles	5-10
Machinery and equipment	5-20
Office furniture and equipment	5-10
Infrastructure/roadways (principally roads)	10-50
Water system	50

I. DEBT PREMIUMS

In the Governmental Fund Financial Statements, debt premiums are reported as an “other financing source”. In the Government-Wide Statements, debt premiums are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable.

J. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

In the Governmental Fund Financial Statements, deferred inflows of resources are reported for receivables recorded in the Governmental Fund Financial Statements for which the revenue is not available or amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements, deferred inflows of resources are reported for amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements deferred outflows of resources and deferred inflows of resources are also reported for amounts related to the Town’s pension plans that will be amortized as a component of pension expense in future years.

K. PROPERTY TAXES

Property taxes are levied at the Annual Financial Town Meeting held in June at (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town as of the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days registered. Taxes levied in June are payable between August 1 and September 8 or in quarterly installments by September 8, December 8, March 8 and June 8. Failure to make payments will result in a lien on the taxpayer’s property.

Rhode Island General Laws restrict the Town’s ability to increase either its total tax levy or its tax rates more than 4% over those of the preceding year.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

L. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2016.

The entire compensated absence liability is reported on the Government-Wide Financial Statements. For Governmental Fund Financial Statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are due to employees that have resigned or retired.

M. ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the Governmental Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Governmental Fund Financial Statements until due.

N. PENSIONS

For the purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System plans and the additions to/ deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value, which approximates \$25,762,234. As of June 30, 2016, the Town’s debt subject to the legal debt margin is \$2,862,000 and the Town is under the debt limit by \$22,900,234. The debt subject to the debt limitation is based on the type of debt that is issued.

NOTE 3 – CASH DEPOSITS

DEPOSITS – are in four financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet and the Statement of Net Position as “Cash and Cash Equivalents”.

	<u>Carrying</u>
	<u>Amount</u>
Total Deposits	\$6,039,392
Add: Petty cash	<u>1,050</u>
<i>Total Cash and Cash Equivalents</i>	<u><u>\$6,040,442</u></u>
<i>Reported in the Financial Statements</i>	

CUSTODIAL CREDIT RISK – custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2016, \$5,174,924 of the Town’s bank balance of \$6,171,550 was exposed to custodial credit risk as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured (Federal depository insurance funds)	\$996,626
Collateralized with securities held by pledging financial institution’s agent, but not in the Town’s name	1,355,751
Collateralized with securities held by pledging financial institution in the Town’s name	<u>3,819,173</u>
<i>Total</i>	<u><u>\$6,171,550</u></u>

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2016, the Town had no uncollateralized deposits with institutions.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 4 – INVESTMENTS

The Town had no investments as of June 30, 2016. The Finance Director has control over the type of investments made. The Town does not have a formal investment policy or any other legally contracted agreement that limits the type of investments that may be made.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Town does not have a formal investment policy that limits its investment choices.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June, 30, 2016 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 349,470	\$ -	\$ -	\$ 349,470
Construction in progress	17,803	90,536	7,798	100,541
	<u>367,273</u>	<u>90,536</u>	<u>7,798</u>	<u>450,011</u>
Depreciable assets:				
Infrastructure	22,085,227	1,292,241	-	23,377,468
Buildings and improvements	3,860,458	11,335	-	3,871,793
Furniture and equipment	884,921	94,000	-	978,921
Motor vehicles	1,588,787	131,412	-	1,720,199
	<u>28,419,393</u>	<u>1,528,988</u>	<u>-</u>	<u>29,948,381</u>
Total Capital Assets	<u>28,786,666</u>	<u>1,619,524</u>	<u>7,798</u>	<u>30,398,392</u>
Less accumulated depreciation for:				
Infrastructure	20,610,088	126,157	-	20,736,245
Buildings and improvements	1,905,755	81,439	-	1,987,194
Furniture and equipment	656,810	30,768	-	687,578
Motor vehicles	977,301	156,748	-	1,134,049
Total Accumulated Depreciation	<u>24,149,954</u>	<u>395,112</u>	<u>-</u>	<u>24,545,066</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,636,712</u>	<u>\$ 1,224,412</u>	<u>\$ 7,798</u>	<u>\$ 5,853,326</u>
Business-Type Activities:				
Depreciable assets:				
Water lines	\$ 520,092	\$ -	\$ -	\$ 520,092
Total Capital Assets	<u>520,092</u>	<u>-</u>	<u>-</u>	<u>520,092</u>
Less accumulated depreciation for:				
Water lines	223,616	10,402	-	234,018
Total Accumulated Depreciation	<u>223,616</u>	<u>10,402</u>	<u>-</u>	<u>234,018</u>
Business-Type Activities Capital Assets, Net	<u>\$ 296,476</u>	<u>\$ (10,402)</u>	<u>\$ -</u>	<u>\$ 286,074</u>
Capital asset activity for the Land Trust for the year ended June 30, 2016 is as follows:				
Nondepreciable assets:				
Land and land rights	\$ 3,422,902	\$ -	\$ -	\$ 3,422,902
	<u>3,422,902</u>	<u>-</u>	<u>-</u>	<u>3,422,902</u>
Depreciable assets:				
Bridges	149,652	-	-	149,652
Buildings	146,634	-	-	146,634
Improvements other than buildings	33,000	10,000	-	43,000
	<u>329,286</u>	<u>10,000</u>	<u>-</u>	<u>339,286</u>
Total Capital Assets	<u>3,752,188</u>	<u>10,000</u>	<u>-</u>	<u>3,762,188</u>
Less accumulated depreciation for:				
Bridges	4,988	2,993	-	7,981
Buildings	1,466	2,962	-	4,428
Improvements other than buildings	18,975	1,650	-	20,625
Total Accumulated Depreciation	<u>25,429</u>	<u>7,605</u>	<u>-</u>	<u>33,034</u>
Land Trust Capital Assets, Net	<u>\$ 3,726,759</u>	<u>\$ 2,395</u>	<u>\$ -</u>	<u>\$ 3,729,154</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 24,862
Public safety	116,111
Public works	221,094
Recreation	33,045
Total Depreciation Expense, Governmental Activities	\$ 395,112

NOTE 6 – SHORT-TERM DEBT

On April 1, 2015, the Town issued a bond anticipation note depositing the proceeds to the Land Trust. The note bears interest of 1.15% and matured on March 31, 2016. Short-term debt activity for the year ended June 30, 2016 is as follows:

<i>Component Unit</i>	<i>Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Bond anticipation note	\$1,000,000	\$ -	\$1,000,000	\$ -

NOTE 7 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES:

Changes in long-term liabilities during the year ended June 30, 2016 were as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
Governmental Activities:					
Bonds, loans and capital leases payable:					
Bonds and loans payable	\$1,570,178	\$1,960,000	\$ 668,178	\$2,862,000	\$ 272,000
Capital leases	156,894	-	104,316	52,578	52,578
Plus: amortized premium on bond	12,492	-	781	11,711	-
Total bonds, loans and capital leases	1,739,564	1,960,000	773,275	2,926,289	324,578
Other liabilities:					
Accrued compensated absences	143,383	4,853	14,887	133,349	122,015
Legal settlements payable	28,783	-	14,391	14,392	14,392
Net pension liability	2,289,184	770,027	-	3,059,211	-
Total Governmental Activities	\$4,200,914	\$2,734,880	\$ 802,553	\$6,133,241	\$ 460,985
Long-Term Liabilities					

All debt of the Government Activities is general obligation debt. The payments on the bonds and loans are paid from the General Fund. The capital leases are paid from an appropriation from the General Fund. The compensated absences, legal settlements payable, and net pension liability are paid from the General Fund.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2016

B. BONDS AND LOANS PAYABLE

Outstanding bonds and loans payable are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2015</u>	<u>New Issues</u>	<u>Maturities and Refundings During Year</u>	<u>Outstanding June 30, 2016</u>
Police Station Fund: Dime Savings Bank	4/25/2003	5.00%	5/1/2023	\$ 900,000	\$ 467,178	\$ -	\$ 467,178	\$ -
Open Space	7/21/2011	2.5-4.375%	8/15/2031	1,000,000	850,000	-	50,000	800,000
Roads	5/28/2015	.25-1.73%	9/1/2024	253,000	253,000	-	1,000	252,000
Refunding and Roads	9/30/2015	2.22%	5/1/2025	1,960,000	-	1,960,000	150,000	1,810,000
Total governmental activities bonds and loans payable					<u>\$ 1,570,178</u>	<u>\$ 1,960,000</u>	<u>\$ 668,178</u>	<u>\$ 2,862,000</u>

At June 30, 2016 annual debt service requirements to maturity for bonds and loans payable are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 272,000	\$ 74,807	\$ 346,807
2018	282,000	68,730	350,730
2019	287,000	62,327	349,327
2020	287,000	55,708	342,708
2021	293,000	48,982	341,982
2022-2026	1,141,000	138,443	1,279,443
2027-2031	250,000	38,281	288,281
2032	50,000	1,094	51,094
	<u>\$ 2,862,000</u>	<u>\$ 488,372</u>	<u>\$ 3,350,372</u>

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

C. CAPITAL LEASE OBLIGATIONS

The Town has financed the acquisition of certain equipment through lease-purchase agreements.

Capital lease obligations currently outstanding are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2015</u>	<u>New Issues</u>	<u>Retirements During Year</u>	<u>Outstanding June 30, 2016</u>
Police vehicle	10/8/2013	6.00%	10/8/2015	\$ 73,542	\$ 24,486	\$ -	\$ 24,486	\$ -
Street sweeper	4/21/2014	2.97%	10/21/2016	175,185	88,218	-	58,378	29,840
Police vehicle	1/23/2015	6.00%	1/23/2017	68,293	44,190	-	21,452	22,738
Total governmental activities capital leases					\$ 156,894	\$ -	\$ 104,316	\$ 52,578

Obligations of governmental activities under capital leases at June 30, 2016 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Lease Payment Requirements</u>
2017	\$ 54,385
Total minimum lease payments	54,385
Less: Amount representing interest cost	(1,807)
Present value of minimum lease payments	<u>\$ 52,578</u>

Equipment and vehicles are reported in the Statement of Net Position at a cost of \$317,020. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2016.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

D. LINE OF CREDIT

On March 23, 2016, the Town entered into a loan agreement with the RI Infrastructure Bank for a non-restoring line of credit up to \$300,000 to be used for the Community Septic System Loan Program (CSSLP). The loan bears interest of 0% and discharge of the loan is the later of the date on which all loans made by the Town under the CSSLP have been paid back or April 1, 2026. The balance of the line of credit as of June 30, 2016 is \$0.

E. REFUNDING OF LONG-TERM DEBT

On September 30, 2015, the Town issued \$460,000 in general obligation bonds with an average interest rate of 2.22% to refund \$455,150 in 2003 series Governmental Activities bonds with an average interest rate of 5%. The net proceeds of \$455,150 (after payment of \$4,850 in underwriter's fees, insurance and other issuance costs) were used to refund the 2003 series bonds on a current basis.

The Town completed the current refunding to reduce its total debt service payments over the next 8 years by \$44,595 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$44,808.

NOTE 8 – INTERFUND BALANCES

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2016 were as follows:

	<i>Due From:</i>			<i>Total</i>
	<i>General Fund</i>	<i>Capital Project Fund</i>	<i>Nonmajor Governmental Funds</i>	
<i>Due To:</i>				
General Fund	\$ 205,841	\$ 74,852	\$ 913,083	\$ 1,193,776
Capital Project Fund	250,000	-	-	250,000
Nonmajor Governmental Funds	769,168	-	-	769,168
Total	\$ 1,225,009	\$ 74,852	\$ 913,083	\$ 2,212,944

The balances primarily result from the time lag between the dates the 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 9 – INTERFUND TRANSFERS

<i>Transfer To:</i>	<i>Transfer From:</i>		
	<i>General</i>	<i>Nonmajor</i>	<i>Total</i>
	<i>Fund</i>	<i>Governmental</i>	
	<i>Funds</i>	<i>Funds</i>	<i>Total</i>
General Fund	\$ -	\$ 100,000	\$ 100,000
Capital Project Fund	250,000	-	250,000
Nonmajor Governmental Funds	307,009	-	307,009
Total	\$ 557,009	\$ 100,000	\$ 657,009

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them.

NOTE 10 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year, except for microloans which are due in accordance with individual loan amortization schedules. The real estate and personal property taxes include an allowance for doubtful accounts of \$284,920. The accounts receivable-user fees include an allowance for doubtful accounts of \$1,000.

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2016, were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Other</i>	<i>Total</i>
Governmental Activities:				
General Fund	\$ 120,684	\$ 54,237	\$ 15,487	\$ 190,408
Total Governmental Activities	\$ 120,684	\$ 54,237	\$ 15,487	\$ 190,408
Business-Type Activities:				
Water Supply	\$ 4,405	\$ -	\$ -	\$ 4,405
Total Business-Type Activities	\$ 4,405	\$ -	\$ -	\$ 4,405

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 11 – FUND EQUITY

Government-Wide Financial Statements:

The Government-Wide Financial Statements utilize a net position presentation. Net position is segregated into the following three components:

Net investment in capital assets – represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted – represents balances limited to uses specified either externally by creditors, grantors, contributors, laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.

Unrestricted – represents the residual component of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Statements:

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. inventories, prepaid amounts, and noncurrent receivables).

Restricted Fund Balance – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority.

Assigned Fund Balance – This classification includes amounts constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Committed fund balances are established, modified or rescinded by the Town Financial Referendum or an ordinance adopted by the Town Council. Assigned fund balances are authorized by the

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Finance Director. The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

NOTE 12 – CHARIHO REGIONAL SCHOOL DISTRICT

The Chariho Regional School District (Regional School) was created to include a regional school for the Towns of Charlestown, Richmond and Hopkinton (the Towns), which encompasses grades K-12. The Regional School is a separate legal entity from the Town. The voters of the participating Towns elect the Regional School Committee. The Regional School cannot assess and levy property taxes. Revenues are derived principally from the participating Towns of the Regional School, which contribute funds according to a financial formula based upon each Town's enrollment, and from State aid to education. Financial statements for the Regional School District are issued separately and may be obtained from the Chariho Regional School District, 455A Switch Road, Wood River Junction, Rhode Island 02894.

NOTE 13 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (the Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the year ended June 30, 2016.

NOTE 14 – LITIGATION AND CONTINGENCIES

Litigation:

The Town is a party to various claims, legal actions and complaints. It is not presently possible to determine the outcome of these cases. In the opinion of the Town's management and Town Solicitor, these matters are not anticipated to have a material financial impact on the Town.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Other Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 15 – OPERATING LEASES

The Town leases one-half of the Thayer House to the U.S. Postal Service under an operating lease that expired on October 10, 2015. A new five-year operating lease effective October 11, 2015 was executed during fiscal year 2015. Future minimum lease payments to be received by the Town are as follows:

<u>Year Ending June 30,</u>	
2017	\$13,600
2018	13,600
2019	13,600
2020	13,600
2021	3,400
	<u>\$57,800</u>

NOTE 16 – PENSION PLANS

A. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND PLANS

Defined Benefit Plans

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at <http://www.ersri.org>.

TOWN OF HOPKINTON, RHODE ISLAND
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Benefits Provided – General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable. The Town of Hopkinton has only general employees and police officers that participate in the MERS Plan.

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

General Employees - Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior retirement date, described below, and the retirement age applicable to members hired after June 30, 2012. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior retirement date. The minimum retirement age is 59.

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Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior retirement date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire Employees - Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior retirement date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior retirement date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

TOWN OF HOPKINTON, RHODE ISLAND
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Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012, benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC. The Town of Hopkinton has elected to participate in the 20-year retirement provision.

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit described above and one calculated based on a 2.25% multiplier for all years of service.

Other Benefit Provisions - Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

a.) The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.

b.) Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%.

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Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%

c.) The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (a) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017. The Town of Hopkinton has elected the optional cost-of-living provision (COLA C) for general employees and police officers.

Special Provisions Applying to Specific Units – Prior to July 1, 2012, some units had specific provisions that apply only to that unit. Per section 45-21.2-5 benefits for members eligible to retire prior to June 30, 2012 are preserved for the calculation of the retirement benefits. For service accrued after July 1, 2012, retirement benefits will be calculated in accordance with section 45-21.2-2 and adjustments to benefits will be provided as set forth in 45-21-52. The following summarizes those provisions:

Hopkinton Police Department – Rhode Island General Law §§ 45-21.2-5 (g)

Under these special provisions, the final compensation for benefit computation is based on the members’ highest year of earnings. In addition, the members shall receive a three (3%) escalation of their pension payment compounded each year on January 1st following the year of retirement and continuing on an annual basis on that date. Compensation for benefit purposes include base, longevity, and holiday pay.

Employees Covered by Benefit Terms - At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

	General Employees Plan	Police Officers Plan
Retirees and Beneficiaries Inactive, Nonretired	13	14
Members	16	1
Active Members	35	15
Total	64	30

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 9.25%. Police officers are required to contribute 10% of their salaries. The Town of Hopkinton contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of Hopkinton contributed the following amounts in the year ended June 30, 2016: general employees plan - \$81,970 and police officers plan - \$281,898. The Town’s contributions represented the

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
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following percentages of annual covered payroll: general employees plan –4.77%; and police officers plan – 29.40%.

Net Pension Liability - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability at the June 30, 2015 Measurement Date (June 30, 2014 valuation rolled forward to June 30, 2015)	
Actuarial Cost Method	Entry Age Normal - The Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police Officers - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> • Male Employees, MERS General and MERS Police: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS Police: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20-years) by asset class are summarized in the following table:

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June 30, 2016

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	<u>100.0%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

General Employees Plan
Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
Balances as of June 30, 2014	\$4,187,275	\$5,137,891	\$(950,616)
Changes for the Year:			
Service cost	163,891	-	163,891
Interest on the total pension liability	311,997	-	311,997
Changes in benefits	53,883	-	53,883
Difference between expected and actual experience	(291,941)	-	(291,941)
Changes in assumptions	-	-	-
Employer contributions	-	101,363	(101,363)
Employee contributions	-	34,358	(34,358)
Net investment income	-	121,193	(121,193)
Benefit payments, including employee refunds	(218,532)	(218,532)	-
Administrative expense	-	(4,862)	4,862
Other changes	-	1	(1)
Net changes	19,298	33,521	(14,223)
Balances as of June 30, 2015	\$4,206,573	\$5,171,412	\$(964,839)

Police Officers Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$7,681,014	\$5,391,830	\$2,289,184
Changes for the Year:			
Service cost	154,963	-	154,963
Interest on the total pension liability	564,306	-	564,306
Changes in benefits	303,629	-	303,629
Difference between expected and actual experience	158,915	-	158,915
Changes in assumptions	-	-	-
Employer contributions	-	219,198	(219,198)
Employee contributions	-	72,583	(72,583)
Net investment income	-	125,021	(125,021)
Benefit payments, including employee refunds	(468,843)	(468,843)	-
Administrative expense	-	(5,016)	5,016
Other changes	-	-	-
Net changes	712,970	(57,057)	770,027
Balances as of June 30, 2015	\$8,393,984	\$5,334,773	\$3,059,211

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability (asset) of the employer calculated using the discount rate of 7.5 percent, as well as what the employer's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<u>Plan</u>	<u>1.00% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1.00 Increase (8.5%)</u>
General Employees	\$(521,000)	\$(964,839)	\$(1,328,106)
Police Officers	\$3,947,505	\$3,059,211	\$2,332,149

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Town recognized pension expense as follows: general employees plan - \$46,169; and police officers plan - \$555,046. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>General Employees Plan</u>	<u>Police Officers Plan</u>
Deferred Outflows of Resources:		
Assumption changes	\$ 3,979	\$ -
Differences between expected and actual experience	-	138,242
Net difference between projected and actual investment earnings	-	4,255
Contributions subsequent to the measurement date	81,970	281,898
Total	<u>\$ 85,949</u>	<u>\$424,395</u>
Deferred Inflows of Resources:		
Assumption changes	\$ -	\$ 27,864
Differences between expected and actual experience	236,422	-
Net difference between projected and actual investment earnings	605	-
Total	<u>\$237,027</u>	<u>\$ 27,864</u>

TOWN OF HOPKINTON, RHODE ISLAND
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June 30, 2016

The deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as a reduction of the net pension liability (asset) for the year ended June 30, 2017. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows/(Inflows) of Resources	
	General Employees Plan	Police Officers Plan
2017	\$ (72,051)	\$ (2,726)
2018	\$ (72,051)	\$ (2,726)
2019	\$ (72,053)	\$ (2,724)
2020	\$ (2,547)	\$ 68,531
2021	\$ (14,346)	\$ 19,401
Thereafter	\$ -	\$ 34,877

Defined Contribution Plan

Plan Description

Certain general employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

General employees contribute 5% of their annual covered salary and employers contribute, depending on years of service, 1% to 1.5% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The Town of Hopkinton recognized pension expense of \$18,120 and employees contributed \$81,105 for the fiscal year ended June 30, 2016.

The System issues an annual financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Financial Statements
 June 30, 2016

B. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

	Deferred Outflows of Resources – Pension Amounts	Deferred Inflows of Resources – Pension Amounts	Net Pension Asset	Net Pension Liability	Pension Expense
General Employees Plan	\$85,949	\$237,027	\$964,839	\$ -	\$ 46,169
Police Officers Plan	424,395	27,864	-	3,059,211	555,046
Total	\$510,344	\$264,891	\$964,839	\$3,059,211	\$601,215

TOWN OF HOPKINTON, RHODE ISLAND
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2016

	<u>Original/ Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property taxes	\$ 17,302,436	\$ 17,539,365	\$ 236,929
Federal and state grants and aid	5,824,090	5,820,343	(3,747)
Charges for services	602,073	898,024	295,951
Interest on investments	3,500	7,184	3,684
Other revenue	2,500	1,663	(837)
Use of fund balance	474,697	52,924	(421,773)
Total revenues	<u>24,209,296</u>	<u>24,319,503</u>	<u>110,207</u>
Expenditures			
Current:			
General government	1,758,786	1,821,304	(62,518)
Public safety	2,322,809	2,448,279	(125,470)
Public works	1,159,092	1,132,839	26,253
Recreation	249,112	265,687	(16,575)
Public and social services	140,269	140,001	268
Education	17,761,469	17,761,469	-
Debt service	345,750	292,915	52,835
Total expenditures	<u>23,737,287</u>	<u>23,862,494</u>	<u>(125,207)</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>472,009</u>	<u>457,009</u>	<u>(15,000)</u>
Other financing sources (uses)			
Transfers from other funds	100,000	100,000	-
Transfers to other funds	(572,009)	(557,009)	15,000
Total other financing sources (uses)	<u>(472,009)</u>	<u>(457,009)</u>	<u>15,000</u>
Excess of revenues and other sources over expenditures and other financing uses, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

TOWN OF HOPKINTON, RHODE ISLAND
Required Supplementary Information
General Employees Pension Plan
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 163,891	\$ 161,437
Interest	311,997	292,185
Changes of benefit terms	53,883	-
Differences between expected and actual experience	(291,941)	-
Changes of assumptions	-	6,099
Benefits payments, including refunds of member contributions	<u>(218,532)</u>	<u>(175,064)</u>
Net change in total pension liability	19,298	284,657
Total pension liability - beginning	<u>4,187,275</u>	<u>3,902,618</u>
Total pension liability - ending (a)	<u><u>\$ 4,206,573</u></u>	<u><u>\$ 4,187,275</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 101,363	\$ 106,729
Contributions - employee	34,358	33,423
Net investment income	121,193	684,310
Benefits payments, including refunds of member contributions	(218,532)	(175,064)
Administrative expense	(4,862)	(4,285)
Other	<u>1</u>	<u>-</u>
Net change in plan fiduciary net position	33,521	645,113
Plan fiduciary net position - beginning	<u>5,137,891</u>	<u>4,492,778</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,171,412</u></u>	<u><u>\$ 5,137,891</u></u>
Town's net pension liability (asset) - ending (a) - (b)	<u><u>\$ (964,839)</u></u>	<u><u>\$ (950,616)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	122.94%	122.70%
Covered employee payroll	\$ 1,717,934	\$ 1,671,191
Net pension liability as a percentage of covered employee payroll	-56.16%	-56.88%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

TOWN OF HOPKINTON, RHODE ISLAND
Required Supplementary Information
Police Officers Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 154,963	\$ 149,013
Interest	564,306	549,806
Changes of benefit terms	303,629	-
Differences between expected and actual experience	158,915	-
Changes of assumptions	-	(41,160)
Benefits payments, including refunds of member contributions	(468,843)	(465,771)
Net change in total pension liability	<u>712,970</u>	<u>191,888</u>
Total pension liability - beginning	<u>7,681,014</u>	<u>7,489,126</u>
Total pension liability - ending (a)	<u><u>\$ 8,393,984</u></u>	<u><u>\$ 7,681,014</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 219,198	\$ 98,125
Contributions - employee	72,583	70,497
Net investment income	125,021	718,132
Benefits payments, including refunds of member contributions	(468,843)	(465,771)
Administrative expense	(5,016)	(4,497)
Other	-	-
Net change in plan fiduciary net position	<u>(57,057)</u>	<u>416,486</u>
Plan fiduciary net position - beginning	<u>5,391,830</u>	<u>4,975,344</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,334,773</u></u>	<u><u>\$ 5,391,830</u></u>
Town's net pension liability - ending (a) - (b)	<u><u>\$ 3,059,211</u></u>	<u><u>\$ 2,289,184</u></u>
Plan fiduciary net position as a percentage of the total pension liability	63.55%	70.20%
Covered employee payroll	\$ 907,279	\$ 881,211
Net pension liability as a percentage of covered employee payroll	337.19%	259.78%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

TOWN OF HOPKINTON, RHODE ISLAND
Required Supplementary Information - Pension Plans
Schedule of Town Contributions (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
<u>General Employees Plan</u>		
Actuarially determined contribution	\$ 81,970	\$ 101,363
Contributions in relation to the actuarially determined contribution	81,970	101,363
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 1,718,449	\$ 1,717,934
Contributions as a percentage of covered employee payroll	4.77%	5.90%
<u>Police Officers Plan</u>		
Actuarially determined contribution	\$ 281,898	\$ 219,198
Contributions in relation to the actuarially determined contribution	281,898	219,198
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 958,837	\$ 907,279
Contributions as a percentage of covered employee payroll	29.40%	24.16%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016

NOTE 1 – PENSION PLANS

The actuarial methods and assumptions used to calculate the total pension liability are described in Note 16 to the financial statements.

Changes in benefit provisions related to the final settlement of pension litigation and enactment of the pension settlement provisions by the General Assembly occurred during the year.

The net pension liability (asset) amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year-end.

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

Actuarially Determined Contributions:

Actuarially determined contribution rates are calculated as of June 30 of each plan year and effective 2 years after the actuarial valuation. The following actuarial methods and assumptions were used to determine contribution amounts reported in that schedule:

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 22 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases – 4% to 8% for general employees; 4.25% to 14.25% for police officers.
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General and Police Officers – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General and Police Officers – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

Employers participating in the Municipal Employees' Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

TOWN OF HOPKINTON, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016

NOTE 2 – BUDGETARY DATA AND BUDGETARY COMPLIANCE

The Town has formally established budgetary accounting control for its General Fund. It is the responsibility of the Town Manager together with the Finance Director’s recommendation to submit to the Town Council and make available to the general public a proposed General Fund budget for the fiscal year. The Town Council may then revise and adopt a recommended General Fund budget. A public hearing is conducted on the recommended General Fund Budget and the final recommended budget is approved by the Town Financial Referendum. The General Fund operating budget is supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. The budget approved and adopted by the Town Financial Referendum reports the amount budgeted for each department, including the Regional School District, therefore, the legal level of control for the General Fund is at the departmental level. Amendments that would change the total appropriation must be approved by a Town Financial Referendum. There were no supplemental budgetary appropriations in fiscal year 2016. Appropriations which are not expended or encumbered lapse at year end.

The General Fund budget is in conformity with the legally enacted budgetary basis, which is not in conformity with generally accepted accounting principles. The budget to actual presentation for the General Fund reported as required supplementary information is reflected on the budgetary basis. Differences between the budgetary basis and the generally accepted accounting principles basis are as follows:

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>
Revenues and other financing sources – budgetary basis	\$24,419,503
Unbudgeted revenues not included in budgetary revenues, but included for financial reporting purposes.	10,335
Use of fund balance included for budgetary purposes, but not for financial reporting purposes.	(52,924)
Current refunding bond proceeds not budgeted.	455,150
<i>Total revenues and other financing sources as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds – gaap basis</i>	<u><u>\$24,832,064</u></u>
<u>Expenditures and Other Financing Uses</u>	
Expenditures and other financing uses – budgetary basis	\$24,419,503
Unbudgeted expenditures not included in budgetary expenditures, but included for financial reporting purposes.	52,479
Budgeted expenditure included for budgetary purposes, but not for financial reporting purposes.	(10,000)
Current refunding debt service expenditures not budgeted.	455,150
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds – gaap basis</i>	<u><u>\$24,917,132</u></u>

TOWN OF HOPKINTON, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	<i>Special Revenue Funds</i>	<i>Capital Project Funds</i>	<i>Permanent Funds</i>	<i>Total Nonmajor Governmental Funds</i>
ASSETS				
Cash	\$ 445,406	\$ 383,873	\$ 14,214	\$ 843,493
Due from federal and state government	12,834	67,895	-	80,729
Other receivables	124,635	-	-	124,635
Due from other funds	40,869	728,299	-	769,168
Total assets	\$ 623,744	\$ 1,180,067	\$ 14,214	\$ 1,818,025
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 194,072	\$ 719,011	\$ -	\$ 913,083
Other liabilities	-	9,500	-	9,500
Total liabilities	194,072	728,511	-	922,583
 Deferred Inflows of Resources				
Other deferred revenues	115,991	-	-	115,991
Total deferred inflows of resources	115,991	-	-	115,991
 Fund balances				
Nonspendable - permanent fund principal	-	-	7,368	7,368
Restricted	211,899	294,864	6,846	513,609
Committed	101,782	156,692	-	258,474
Total fund balances	313,681	451,556	14,214	779,451
Total liabilities, deferred inflows of resources, and fund balances	\$ 623,744	\$ 1,180,067	\$ 14,214	\$ 1,818,025

TOWN OF HOPKINTON, RHODE ISLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<i>Special Revenue Funds</i>	<i>Capital Project Funds</i>	<i>Permanent Funds</i>	<i>Total Nonmajor Governmental Funds</i>
Revenues				
Federal and state grants and aid	\$ 553,507	\$ 1,500	\$ -	\$ 555,007
Charges for services and fees	40,975	-	-	40,975
Private grants and contributions	-	25,559	-	25,559
Interest on investments	1,021	1,094	23	2,138
Other revenues	13,174	-	-	13,174
Total revenues	<u>608,677</u>	<u>28,153</u>	<u>23</u>	<u>636,853</u>
Expenditures				
Current:				
General government	7,513	-	18	7,531
Public safety	75,242	-	-	75,242
Recreation	2,901	-	-	2,901
Public and social services	379,015	-	-	379,015
Capital outlay	-	1,635,942	-	1,635,942
Debt service	-	126,329	-	126,329
Total expenditures	<u>464,671</u>	<u>1,762,271</u>	<u>18</u>	<u>2,226,960</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>144,006</u>	<u>(1,734,118)</u>	<u>5</u>	<u>(1,590,107)</u>
Other financing sources (uses)				
Capital-related debt issued	-	1,504,850	-	1,504,850
Transfers from other funds	-	307,009	-	307,009
Transfers to other funds	(100,000)	-	-	(100,000)
Total other financing sources (uses)	<u>(100,000)</u>	<u>1,811,859</u>	<u>-</u>	<u>1,711,859</u>
Net change in fund balances	44,006	77,741	5	121,752
Fund balances - beginning of year	<u>269,675</u>	<u>373,815</u>	<u>14,209</u>	<u>657,699</u>
Fund balances - end of year	<u>\$ 313,681</u>	<u>\$ 451,556</u>	<u>\$ 14,214</u>	<u>\$ 779,451</u>

TOWN OF HOPKINTON, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2016

Real Estate and Personal Property Taxes

<u>Tax Year</u>	<u>Balance June 30, 2015</u>	<u>Current Year Assessment</u>	<u>Refunds</u>	<u>Abatements/ Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2016</u>
2015	\$ -	\$ 17,555,096	\$31,248	\$ (37,314)	\$ 17,549,030	\$ 16,971,417	\$ 577,613
2014	595,614	-	4,747	21,692	622,053	554,934	67,119
2013	73,039	-	1,453	1,125	75,617	24,476	51,141
2012	70,540	-	1,471	10	72,021	8,359	63,662
2011	52,073	-	766	(7,857)	44,982	2,435	42,547
2010	33,753	-	877	-	34,630	1,302	33,328
2009	18,055	-	1,887	-	19,942	783	19,159
2008	28,107	-	1,088	(1)	29,194	1,308	27,886
2007	21,601	-	-	-	21,601	465	21,136
2006	20,306	-	-	-	20,306	248	20,058
2005	23,341	-	-	-	23,341	110	23,231
2004	19,684	-	-	-	19,684	102	19,582
2003	14,310	-	-	-	14,310	127	14,183
	<u>\$ 970,423</u>	<u>\$ 17,555,096</u>	<u>\$ 43,537</u>	<u>\$ (22,345)</u>	<u>\$ 18,546,711</u>	<u>\$ 17,566,066</u>	980,645
					Allowance for Uncollectible Accounts		<u>(284,920)</u>
					Net Property Tax Receivable		<u>\$ 695,725</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 782,435,360	\$ 15,946,033
Motor vehicles	80,478,327	1,704,531
Tangible personal property	19,674,690	400,970
Total	<u>882,588,377</u>	<u>18,051,534</u>
Exemptions and tax freeze	(23,847,252)	(496,438)
Net assessed value	<u>\$ 858,741,125</u>	<u>\$ 17,555,096</u>

Town of Hopkinton

**Changes in Fund Balances, General Fund
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Unaudited**

	2007	2008	2009	2010	(3) 2011	(3) 2012	(3) 2013	(3) 2014	(3) 2015	(3) 2016
Revenues										
Property Taxes and Interest	\$ 14,361,479	\$ 14,909,405	\$ 15,798,540	\$ 15,674,241	\$ 17,647,812	\$ 17,586,304	\$ 18,194,600	\$ 18,341,125	\$ 17,536,755	\$ 17,539,365
Federal and state grants and aid	6,981,488	6,945,798	6,233,862	6,886,037	5,725,058	6,031,011	6,022,837	5,828,062	5,874,941	5,807,978
Charges for services	921,323	790,774	727,294	884,058	809,586	793,615	848,755	864,816	786,182	898,024
Private grants and contributions	-	-	-	-	2,540	-	-	-	-	-
Interest on investments	57,892	56,707	40,281	7,271	3,249	3,054	5,037	6,635	6,430	7,184
Other revenues (1)	44,160	534	677,629	10,945	1,517	992	636	10,974	334,769	54,587
Total revenues	22,366,342	22,703,218	23,477,606	23,462,552	24,189,762	24,414,976	25,071,865	25,051,612	24,539,077	24,307,138
Expenditures										
Current:										
General government	1,683,829	1,718,369	1,580,439	1,648,943	1,743,557	1,734,835	1,695,379	1,726,244	1,731,112	1,821,304
Public safety	2,206,762	2,352,782	2,335,600	2,201,223	2,142,084	2,329,439	2,256,951	2,206,878	2,258,023	2,448,279
Public works	1,202,655	1,070,838	1,381,498	1,121,971	1,114,468	1,013,227	1,069,660	1,156,310	1,189,679	1,132,839
Recreation	182,558	175,014	173,508	208,995	203,284	248,048	254,973	262,177	264,394	265,687
Public and social services	153,741	158,272	166,094	119,102	119,618	127,115	125,250	127,500	137,750	140,001
Education	16,738,899	17,314,135	17,720,106	17,590,131	18,099,437	18,042,864	18,489,003	18,524,639	18,271,091	17,761,469
Capital Improvements (2)	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	99,006	100,520	102,327	104,119	106,005	107,903	160,071	162,055	161,937	668,178
Interest	60,053	55,276	97,953	78,329	73,199	88,817	71,786	76,146	69,140	79,887
Total expenditures	22,327,503	22,945,206	23,557,525	23,072,813	23,601,652	23,692,248	24,123,073	24,241,949	24,083,126	24,317,644
Excess of revenues over expenditures before other financing sources (uses)	38,839	(241,988)	(79,919)	389,739	588,110	722,728	948,792	809,663	455,951	(10,506)
Other financing sources (uses):										
Proceeds from borrowing	148,728	67,452	300,629	-	-	-	-	-	-	455,150
Transfers from other funds	60,000	55,000	-	-	-	-	-	90,000	6,334	112,365
Transfers to other funds	(153,315)	(99,215)	(57,314)	(211,237)	(162,545)	(407,200)	(443,275)	(342,647)	(462,285)	(557,009)
Total other financing sources (uses)	55,413	23,237	243,315	(211,237)	(162,545)	(407,200)	(443,275)	(252,647)	(455,951)	10,506
Net change in fund balances	\$ 94,252	\$ (218,751)	\$ 163,396	\$ 178,502	\$ 425,565	\$ 315,528	\$ 505,517	\$ 557,016	\$ -	\$ -
Debt Service as a percentage of noncapital expenditures	0.71%	0.68%	0.85%	0.79%	0.76%	0.83%	0.96%	0.98%	0.96%	3.08%

(1) Other revenue reclassified into charge for services 2005,2006

(2) Capital improvements in departmental general fund expenses not reflected only nonmajor governmental funds.

(3) Includes only General Fund and not funds combined with General Fund for financial reporting purposes in accordance with GASB 54.

Town of Hopkinton

Assessed Values and Actual Values of Taxable Property

Last Ten Fiscal Years

Unaudited

<u>Fiscal Year</u>			<u>Tangible</u>				<u>Total</u>	<u>Total</u>		
	<u>Ending</u>	<u>Residential</u>	<u>Commercial*</u>	<u>Personal</u>	<u>Motor</u>	<u>Less</u>	<u>Taxable</u>	<u>Direct</u>	<u>Tax</u>	<u>Tax</u>
<u>June 30</u>	<u>Property</u>	<u>Property</u>	<u>Property</u>	<u>Inventory</u>	<u>Vehicles</u>	<u>Property</u>	<u>Assessed</u>	<u>Rate</u>	<u>Levy</u>	<u>Levy</u>
2007	\$ 917,162,400	\$ 71,760,600	\$ 19,107,840	\$ 1,628,260	\$ 64,457,583	\$ 47,623,239	\$ 1,026,493,444	\$ 14.20	\$ 14,574,786	
2008	933,891,400	75,151,300	19,829,680	1,410,150	66,907,277	48,178,796	1,049,011,011	14.39	15,091,659	
2009	942,521,500	81,711,900	20,206,920		70,847,062	52,233,162	1,063,054,220	14.72	15,651,281	
2010	947,901,100	79,335,150	18,496,680		61,935,422	51,542,119	1,056,126,233	14.95	15,794,049	
2011	950,720,300	79,445,750	19,746,900		66,451,004	19,970,687	1,096,393,267	16.01	17,550,424	
2012	762,201,500	73,392,100	20,486,870		74,713,855	25,171,601	905,622,724	19.47	17,630,987	
2013	763,335,600	77,944,400	19,857,930		77,319,949	26,424,789	912,033,090	20.07	18,300,511	
2014	766,263,800	81,502,500	20,358,200		77,640,807	28,400,729	917,364,578	19.87	18,228,200	
2015	707,098,400	72,021,770	18,677,560		78,711,307	23,834,331	852,674,706	20.68	17,634,724	
2016	706,976,400	75,458,960	19,674,690		80,478,327	23,847,252	858,741,125	20.44	17,555,096	

Notes:

The State of Rhode Island has enacted legislation limiting the cap on property tax levy growth for cities and towns.

The cap was set at 5.5% in FY 2007-2008 reducing by .25% until FY 2012-13 when a 4% cap will be reached. FY 2015-16 tax cap was 4.0%.

Revaluation of real property is required by State law every 9 years. Hopkinton had a full revaluation in FY 2014-2015.

Statistical revaluations are required every 3 years. Hopkinton was not required to have statistical revaluations in FY 2008-2009 as Hopkinton, Richmond, and Charlestown were to all be on the same revaluation cycle with a full revaluation in FY 2011-12.

Property is assessed at actual market value.

Inventory taxes were phased out in 2008 under RI General Law 44-3-29.1

Total Direct Tax Rate is the weighted average of all individual rates applied by the Town. The Motor Vehicle rate has been frozen since 2000 at \$21.18. In fiscal year 2015-2016 the property tax rate, excluding motor vehicles, was \$20.38.

Town of Hopkinton

Assessed Values and Actual Values of Taxable Property

Calculation of Total Direct Tax Rate for Fiscal Year ended June 30, 2016

Unaudited

<u>Category</u>		<u>Assessed</u> <u>Value</u>	<u>Direct rate</u> <u>per \$1000</u>	<u>Total</u> <u>Tax Levy</u>
Real Estate				
Residential	\$706,976,400			
Less Exemptions	11,048,540			
Net Residential		\$695,927,860	\$20.38	\$14,182,982
Commercial	75,458,960			
Less Exemptions	20,100			
Net Commercial		75,438,860	20.38	1,537,444
Tangible Property	19,674,690	19,674,690	20.38	400,956
Motor Vehicle	80,478,327			
Less Exemptions	12,778,612			
Net Motor Vehicle		67,699,715	21.18	1,433,714
Total		<u>858,741,125</u>		<u>17,555,096</u>
Total Tax Levy				17,555,096
Divided by Total Assessment				858,741,125
times 1000				
Weighted Average/Total Direct Rate			\$	20.44

Town of Hopkinton

Principal Property Taxpayers
Current year and ten years ago
Unaudited

	FY 2016		<u>Percentage</u> <u>of Total</u> <u>Taxable Assessed</u>		FY 2007	<u>Percentage</u> <u>of Total</u> <u>Taxable Assessed</u>	
			Value			Value	
Hopkinton Industrial Park LLC	\$ 10,387,900	1	1.21%				0.00%
Narragansett Electric	6,765,440	2	0.79%	\$ 6,201,800	1		0.83%
New Canonchet Cliffs	5,396,000	3	0.63%				0.00%
Mashantucket Pequot	3,502,800	4	0.41%	3,775,400	4		0.50%
Fenner Hill Country Club	2,786,100	5	7.12%	4,058,900	2		0.54%
Saugatucket Springs	2,600,000	6	0.30%				0.00%
46 Norwich Westerly Exchange LLC	2,164,400	7	0.25%				0.00%
American Kuhne Inc.	2,054,300	8	0.24%				0.00%
Classic Acres Inc.	1,907,000	9	0.22%	1,918,900	8		0.26%
L-3 Chesapeake Science Corp.	1,549,920	10	0.18%				0.00%
Shamrock Associates LLC				4,025,700	3		0.54%
Hopkinton Village Inc.				3,041,100	5		0.41%
Hopkinton Housing Association				2,971,700	6		0.40%
Canonchet Hills Limited Partner				1,945,300	7		0.26%
Paxson Communications				1,839,520	9		0.25%
Collette, Joseph				1,597,600	10		0.21%
Total	\$ 39,113,860		4.55%	\$ 31,375,920			4.19%
Total Taxable Assessed Value	\$ 858,741,125			\$ 748,926,718			

data from FY 2016 is from 2015 tax book
data from FY 2007 is from 2006 tax book

Town of Hopkinton

Property Tax Levy and Collections

Last Ten Fiscal Years

Unaudited

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Actual</u> <u>Tax Rate</u>	<u>Gross</u> <u>Levy</u>	<u>Adjustments</u> <u>Addendums</u> <u>Additions</u>	<u>Net to be</u> <u>Collected</u>	<u>Uncollected at</u> <u>end of year levy</u>	<u>Uncollected</u> <u>% of</u> <u>Net Levy</u>	<u>Uncollected at</u> <u>June 30, 2016</u>
2007	\$ 14.00	\$ 14,574,786	22,212	\$ 14,596,998	\$ 935,528	6.41%	\$ 20,058
2008	14.19	15,091,659	(1,659)	15,090,000	980,879	6.50%	21,136
2009	14.50	15,651,281	(56,000)	15,595,281	797,740	5.12%	27,886
2010	14.79	15,794,049	(45,559)	15,748,490	800,969	5.09%	19,159
2011	15.69	17,550,424	(43,259)	17,507,165	788,872	4.51%	33,328
2012	19.34	17,630,987	(44,628)	17,586,359	685,646	3.90%	42,547
2013	19.98	18,300,511	10,162	18,310,673	731,520	4.00%	63,662
2014	19.77	18,228,200	4,226	18,232,426	714,468	3.92%	51,141
2015	20.64	17,634,724	(21,768)	17,612,956	595,614	3.38%	67,119
2016	20.38	17,555,096	(6,066)	17,549,030	577,613	3.29%	577,613

Notes:

Actual Tax rate is for all residential and commercial property. Motor Vehicles tax rate which is frozen at \$21.18. Inventory tax rates not noted.

After nine years the balance is written off as uncollectible.



CERTIFIED PUBLIC ACCOUNTANTS

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***REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS***

To the Honorable President and
Members of the Town Council
Hopkinton, Rhode Island

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Hopkinton, Rhode Island, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Hopkinton, Rhode Island's basic financial statements, and have issued our report thereon dated January 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Hopkinton, Rhode Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hopkinton, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hopkinton, Rhode Island's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hopkinton, Rhode Island's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-003.

Town of Hopkinton, Rhode Island's Response to Findings

The Town of Hopkinton, Rhode Island's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Hopkinton, Rhode Island's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bacon & Company, LLC

Warwick, Rhode Island
January 3, 2017

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016

MATERIAL WEAKNESS

2016-001 Segregation of Duties

Criteria: Segregation of duties is an element of internal control that is designed to prevent, detect and correct misstatements in a timely manner, whether due to fraud or error.

Condition: The Finance Director and the Assistant to the Finance Director have job responsibilities that result in a lack of segregation of duties and as a result a weakness in internal controls. The same individual should not have custody of assets and also be responsible for initiating and recording transactions.

The Finance Director has complete responsibility for the general ledger and all financial reporting and is also responsible for signing checks, preparing and posting certain journal entries, reconciling the cash accounts, authorizing certain payment vouchers and wiring cash between accounts.

The Assistant to the Finance Director is responsible for preparing and posting journal entries, preparing the biweekly payroll, processing and preparing all vendor checks, and accepting, preparing and making departmental deposits.

Effect: Misstatements, whether due to fraud or error, could occur and not be prevented, detected and corrected in a timely manner.

Cause: There is a limited number of staff in the Finance Office.

Identification of a Repeat Finding: This is a repeat finding from previous audits 2015-001.

Recommendation: We recommend that the Town review the current job responsibilities within the Finance Department and take the appropriate steps to segregate certain duties, to ensure that the same individual is not responsible for custody of assets, and initiating and recording receipts and disbursements. In addition, all journal entries prepared should be reviewed and approved by a responsible official independent from the person responsible for preparing the journal entry. We also recommend that the Town consider adding staff to the Finance Department to allow for the proper segregation of duties and to strengthen the internal controls. Alternatively, internal controls in the Finance Office could also be strengthened by the monthly review of financial reports and reconciliations by an independent responsible official with knowledge of Town operations and financial reporting and accounting.

Views of Responsible Officials and Planned Corrective Action: The Finance office acknowledges the need for additional staffing, but funding is not available in this economic environment. However, actions will be taken immediately to segregate duties in the best possible manner given the shortage of staffing.

Also, the Town is implementing integration software that will eliminate the timely tax reconciliation process by importing data directly into the Town's General Ledger. This new software would populate the General Ledger as soon as the data is available from the Tax Collector's office and require little to no manual Journal Entries.

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016

SIGNIFICANT DEFICIENCY

2016-002 Segregation of Duties

Criteria: Segregation of duties is an element of internal control that is designed to prevent, detect and correct misstatements in a timely manner, whether due to fraud or error.

Condition: The Tax Collector has job responsibilities that result in a lack of segregation of duties and as a result a weakness in internal controls. Due to staff limitations, the Tax Collector is responsible for accepting and recording tax payments, reconciling the daily receipts, preparing and making the daily deposit at the bank, posting abatements and monitoring delinquent accounts. The Tax Collector has custody of assets and is also responsible for initiating and recording transactions.

Effect: Misstatements, whether due to fraud or error, could occur and not be prevented, detected and corrected in a timely manner.

Cause: There is a limited number of staff in the Tax Collector's Office.

Identification of a Repeat Finding: This is a repeat finding from previous audits 2015-002.

Recommendation: We recommend that the Town review the current job responsibilities of the Tax Collector to attempt to segregate certain responsibilities. We suggest that internal controls could be improved by having all daily reconciliation procedures completed by two individuals. We also recommend that delinquent accounts and adjustments to the subsidiary ledger be reviewed by another independent individual, in addition to the Tax Collector.

Views of Responsible Officials and Planned Corrective Action: The Tax Collection office acknowledges the need for additional staffing, but funding is not available in this economic environment. However, actions will be taken immediately to segregate duties in the best possible manner given the shortage of staffing.

FINDING OF NONCOMPLIANCE

2016-003 Levy and Assessment of Taxes

Criteria: *Rhode Island General Law 44-5-1* states that the electors of any Town qualified to vote on any proposition to impose a tax or for the expenditure of money, when legally assembled, may levy a tax for the purpose authorized by law, on the ratable property of the Town, either in a sum certain, or in a sum not less than a certain sum and not more than a certain sum.

Condition: The Town of Hopkinton Town Council approved a resolution that levied and ordered the assessment and the collection of taxes for the 2016 fiscal year for a sum between \$15,863,072 and \$16,263,072. The actual tax levy was \$17,555,096 and is not within the range approved by the Town Council. The Town is not in compliance with *Rhode Island General Law 44-5-1*.

TOWN OF HOPKINTON, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016

Recommendation: We recommend that the Town carefully review all levy and assessment information prior to the adoption of the tax levy resolution to ensure compliance with *Rhode Island General Law 44-5-1*.

Views of Responsible Officials and Planned Corrective Action: The Finance Director carefully reviewed the levy and assessment information and agreed that the 2016 fiscal year tax collection range for ‘real estate and tangible personal property’ between \$15,863,072 and \$16,263,072 as stated in the Tax Resolution. It was understood that the range was not inclusive of the MV tax levy based on the wording in the Town’s Tax Resolution.

The actual 2016 fiscal year tax levy for real estate and tangible personal property total \$16,121,382 which fell within the range approved by the Town Council, however when the MV tax levy is added to the real estate and tangible personal property tax levies it does not fall within the approved range.

The Finance Director will include the MV tax levy in the tax collection range going forward shall the Town’s Solicitor and Division of Municipal Finance agree that it should be included and change the wording on the Tax Resolution to state ‘real estate, motor vehicle and tangible personal property’.